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# Memorandum From Arnold Nachmanoff of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)

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Boeing Loan for Chile

You asked for an explanation of the decisions on the Chilean request for Export-Import Bank financing for three Boeing aircraft for its national airline, LAN-Chile (Tab A).

First, you should understand that Chile's submission of a formal application to the Export-Import Bank on July 7, despite the fact that we had not given any indication the loan would be favorably received, was something over which we had no control. The Chilean Government made a unilateral decision to submit the loan application in an attempt to press the issue and force our hand. For Kearns to have refused to even accept the application would have, in effect, constituted a flat rejection of the Chilean loan request, which was not the option the President chose.

The following is a review of the decisions on this matter:

—The President approved (memo of June 9, Tab B) authorizing the Ex-Im Bank to process the Boeing loan under normal banking procedures subject to a cut-off if satisfactory copper settlements are not achieved. He wrote the comment on the memo "be sure Connally knows I will cut off if given a good handle." At the same time, he also approved a $5 million FY 1971 FMS program ceiling for Chile.

—On June 11, per General Haig's telephone instructions, we held up implementing the President's decisions as a result of charges in Chile of CIA complicity in the murder of former Minister of Interior Perez Zujovic, pending a statement by the GOC refuting those charges.

—In my memo of June 14 (Tab C) I came back to you requesting authority to proceed with implementing the President's decisions when the GOC made a satisfactory public denial of CIA involvement. You wrote on the memo "No—President approves FMS. Does not want to proceed on Boeing pending urgent review of expropriation problems."

—June 18, you signed a memo to the bureaucracy (Tab D) informing them of the President's decision to approve a $5 million FMS ceiling for Chile for FY 1971 and to defer a decision on authorizing the Ex-Im to process the Boeing loan for Chile.

—As the matter now stands, we are deferring decision on the Boeing loan pending review of NSSM 131, the Expropriation Study.

When Kearns accepted the formal application from the Chileans, he was careful to give the Chileans no commitment nor any indication the request would be given positive consideration by the Bank. He cited a number of banking criteria Chile must meet before the Bank can consider the application. Basically, we are keeping our options open and presumedly we can face this issue again after the NSSM 131 review. Our basic approach on this, I continue to believe, should be to string the Chileans along until we see how the copper settlement turns out.